



# Bucks in the bank... land bank that is

*By David Lawhead*

What would you do if you were given a large piece of undeveloped land as a gift to use as a financial investment under the following conditions? You are not a developer, and the land would be very expensive to develop yourself. The economy is slow so no other developers would be particularly interested in buying your land, and the property supports a wide array of sensitive habitats and species. Typically, if a landowner wished to gain a financial return on a land investment, agricultural or urban development were just about the only options, but these options led to significant losses of sensitive species and their habitats in many parts of California. Many landowners in California face this dilemma which has in turn spiraled into the current conflicts between endangered species and economic development. Until recently, there was little monetary value assigned to undeveloped lands that supported high quality biological resources. But now, conservation banking has been developed as one tool to bridge the gap between economics and habitat or species conservation.

In simple terms, a conservation bank (also called a mitigation bank) is a biological bank account. Instead of dollars in the bank, the bank owner has biological mitigation credits "on tap" to sell to developers. Under state and federal laws, and some local ordinances, development projects that propose to remove or in some way harm sensitive biological resources must assess the level of harm, or impact. Impacts must be compensated for if they are judged to be significant. These assessments are summarized in environmental impact reports (EIRs). Project



DFG photo (above) by David Lawhead. DFG photo page 4, by Liam Davis.

**The conservation banking process, like the one for Chiquita Canyon (above and page 4) has the ability to meet both the biological concerns of wildlife agencies and local communities, and the development community's desire to simplify the mitigation process.**

proponents are required to compensate for the environmental impacts of their projects through mitigation. For impacts to biological resources, mitigation frequently involves buying lands that support similar resources elsewhere and dedicating those lands as permanent open space. Unfortunately, past approaches to identifying, purchasing, and coordinating the location of these mitigation lands have been inconsistent, and not necessarily based upon sound ecological principles. Finding a landowner who had property with similar biological resources to those being impacted, of the right size, at a price that was affordable, who was a willing seller, and completing the deal in a timely manner, was often very difficult. The result was that mitigation lands often ended up as fragmented small islands of vegetation surrounded by development, a condition known among biologists as "postage stamp" preserves.

Scientific studies have indicated that most native wildlife species, except for those adapted to human environments,

do not survive for long in these small habitat patches. The presence of surrounding human-related intrusions such as trash dumping, house cats, exotic plant invasion, fire, vandalism, noise and lights hastens the extinction of plant and animal species in these habitat islands. Because these areas are cut off from larger areas of natural lands, new individuals of native wildlife and plant species cannot reach these islands and recolonize them. As the deterioration process progresses, the biological values once sustained by the mitigation site decline. What once was compensation for development impacts may be eventually lost forever.

Clearly an alternative mitigation process had to be developed. If a system could be set up to speed up and simplify the mitigation process it would save the developer both time and money. In turn, coordinating the location of lands purchased for mitigation would greatly improve the chances for long-term survival of the biological resources on these lands. The conservation banking process has the ability to meet both the

biological concerns of wildlife agencies and local communities, and the development community's desire to simplify the mitigation process.

Conservation banks attempt to set aside larger blocks of natural habitat, often supporting a wide array of sensitive plant and wildlife species, in a manner that assures the long-term survival of the resources on the site. In addition, the bank is funded for long-term management of the lands to sustain the values of the resources, and to enhance them through habitat restoration if necessary. In the past, mitigation lands were often purchased but seldom managed or protected from disturbance. Developers gain by having a "one-stop-shopping" experience where they know the bank has the resources available that they need for compensation for their project impacts. They also know it is pre-approved by the Department of Fish and Game (DFG) and U.S. Fish and Wildlife Service for mitigation. A developer simply pays a fee for the number of habitat credits needed for mitigation, plus an additional

management fee, to complete the transaction. No more time consuming and expensive "beating of the bushes" to find and secure an adequate mitigation site.

The concept of "out-of-kind" mitigation also becomes much easier to implement when conservation banking is done within a regional habitat plan. Out-of-kind mitigation is where the preservation of one habitat or species is used as compensation for impacts to a different habitat or species. For example, if 50 acres of coastal sage scrub habitat were impacted, that impact might be compensated for through the preservation of 50 acres of oak woodland habitat. Without regional habitat planning this mitigation approach can be very risky. If the example above were carried to extreme little coastal sage scrub habitat would be left, but there would be lots of oak woodlands protected. The goal of sustaining high biodiversity leads us to try to protect appropriate portions of all habitats necessary to sustain the entire ecosystem, and not sacrifice one habitat to protect another. With regional multiple habitat planning the quantity and quality of each habitat type to be preserved in the study area is determined up-front in the planning process. Preservation of sufficient amounts of each habitat to sustain a functioning ecosystem is the goal. With levels of habitat protection determined at the beginning of the planning process, there is the assurance that biodiversity will be maintained and that the ecosystem will remain healthy. Under this scenario, if one habitat type is used to mitigate impacts to a different habitat it does not really matter since the regional habitat preserve will look the same in the end, regardless of what order the pieces of the preserve are acquired. This approach is called "ecosystem-based mitigation," because instead of emphasizing mitigation strictly by habitat or species, the goal is to mitigate impacts to the entire regional ecosystem. Because the final multiple habitat preserve is assured through the regional plan, there is more flexibility in the mitigation process. Out-of-kind mitigation becomes a more reasonable option under these circumstances.

Ecosystem-based mitigation also benefits bank owners in that it allows them to sell all portions of their property, even if some portions do not



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*Photo © Robb Hirsch, Outdoor California Photography Award Program, 1996*



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support very sensitive habitats. Because conservation banking is driven by the market process of supply and demand, if some habitats are not considered very sensitive, little or no mitigation for impacts will be required. This will result in little demand to buy these mitigation credits. Ecosystem-based mitigation allows landowners a financial return on all of their lands, not just the most biologically sensitive portions. While these "less sensitive" habitats may not support as many endangered species as other habitats, they often play an important role in the regional ecosystem and habitat plan. These habitats can be very critical in providing wildlife corridors, buffering more sensitive habitats from human disturbance, or maintaining the overall health of the ecosystem. Therefore, these habitats often help preserve regional populations of sensitive or rare species, even if those species do not typically live in them which is sufficient reason to consider them valuable enough to use as mitigation for impacts to sensitive species.

Historically, wetland habitats have been the focus of banking efforts. However, with the recent advent of regional multiple habitat planning in California, such as the DFG's Natural Community Conservation Planning (NCCP) Program, terrestrial (i.e., upland) habitats such as grasslands, shrublands and forests have become a new focus of habitat banking. Regional habitat planning provides increased flexibility in the use of habitat lands for banking over what was possible before under a project-by-project approach to mitigation. Before conservation banking, the goal was to have a project mitigate its impacts as close to the site of the impacts as possible. This significantly limited a developer's options for suitable mitigation lands. With regional habitat planning, the service area of the bank, or how far away projects can be from the bank and still use its credits, can often times be greatly expanded. This benefits not only the developers in the region, but brings the bank more customers, allowing it to sell its credits more rapidly.

In Southern California, within the NCCP planning area, the first conservation bank established was the Carlsbad Highlands Conservation Bank in April of 1995. This bank is approximately 180 acres in size, located

within an important block of coastal sage scrub habitat within the City of Carlsbad, and will contribute to the City's NCCP habitat preserve system. Other established banks include the Crestridge Conservation Bank within the County of San Diego, and the Chiquita Canyon Conservation Bank owned by the Transportation Corridor Agency in Orange County. The San Vicente Conservation Bank established by the Boys and Girls Club of East County in San Diego has assisted that organization in funding its important community programs, while at the same time conserving natural resources for the community's use and enjoyment. Conservation bank lands can often accommodate passive public recreational uses such as hiking, horseback riding, and bird watching. Other banks are currently in the works, as the whole concept has been well received in the region by property owners.

The DFG views the concept of conservation banking as a significant tool in its efforts to carry out regional ecosystem planning through the NCCP program. In the past, there have been few incentives for landowners to conserve the wildlife resources on their properties. Conservation banking is one tool that results in a solution for the landowner and the environment. With conservation banking, the term "bucks in the bank" takes on a whole new meaning, not to mention dough/ doe. 🐘

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*Photo © Neil Nagel, Outdoor California Photography Award Program, 1992*

**Many species will benefit from conservation banking, such as the horned lizard (above) and the grayfox (below).**



*Photo © Gary Nichols, Outdoor California Photography Award Program, 1993*

## Reports on conservation banking

The State of California is a strong supporter of the conservation bank approach to mitigation.

In April of 1995, The Resources Agency and the California Environmental Protection Agency jointly released their *Official Policy on Conservation Banks*. This document established basic guidelines for conservation banking. In addition, in June of 1996, the Resources Agency

and the Department of Fish and Game published a report listing the existing and proposed conservation banks within California.

The report titled *A Catalogue of Conservation Banks in California: Innovative Tools for Natural Resource Management* gives a detailed account of each conservation bank, along with notes on who to contact for more information.

This information is also available on the Internet at:

<http://ceres.ca.gov/topic/banking.html>

Further information on setting up conservation banks can be obtained by writing to Mr. Ron Rempel, California Department of Fish and Game, 1416 Ninth Street, Room 1341, Sacramento, California 95814.